

FORT FRYE LOCAL SCHOOL DISTRICT
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

Board of Education
Fort Frye Local School District
P.O. Box 1149
Beverly, Ohio 45715

We have reviewed the *Independent Auditors' Report* of the Fort Frye Local School District, Washington County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fort Frye Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 29, 2008

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**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

ORC Section 117.38 and Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, net assets, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District, Washington County as of June 30, 2008, and the respective changes in financial position - cash basis and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2008, on our consideration of Fort Frye Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 4, 2008

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Fort Frye Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The discussion and analysis of the Fort Frye Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- € Net assets of governmental activities increased \$496,227.
- € General receipts amounted to \$8,731,508 or 78% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$2,417,704 or 21% of total receipts of \$11,248,279.
- € The School District had \$10,752,052 in disbursements related to governmental activities; only \$2,417,704 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts of \$8,731,508 were adequate to provide for these programs.
- € The School District's major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$9,630,592 in receipts and \$9,902,065 in disbursements. The General Fund's balance decreased \$89,655. The Permanent Improvement Fund had \$231,659 in receipts and \$154,796 in disbursements. The Permanent Improvement Fund's balance increased \$148,863.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Fort Frye Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2008?” The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, all of the School District’s programs and services are reported as governmental activities including food service operations, instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net assets for 2008 compared to 2007.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 1
 Net Assets - Cash Basis

	Governmental Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,676,871	\$2,180,644	\$496,227
Net Assets			
Restricted	\$1,790,378	\$1,738,608	\$51,770
Unrestricted	886,493	442,036	444,457
Total Net Assets	\$2,676,871	\$2,180,644	\$496,227

The above table reflects an increase in net assets of \$496,227. The predominant factor in the increase in net assets is due to the School District receiving an additional payment from a tax abatement agreement with Duke Energy and to increased tax revenues from a new 7.32 mill operating levy.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, compared to fiscal year ended June 30, 2007.

Fort Frye Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Receipts			
Program Receipts:			
Charges for Services	\$1,139,022	\$1,013,854	\$125,168
Operating Grants, Contributions and Interest	1,267,113	1,439,563	(172,450)
Capital Grants and Contributions	11,569	29,022	(17,453)
Total Program Receipts	<u>2,417,704</u>	<u>2,482,439</u>	<u>(64,735)</u>
General Receipts:			
Property Taxes	3,885,789	3,524,616	361,173
Payments in Lieu of Taxes	231,659	694,977	(463,318)
Grants and Entitlements	4,471,429	4,521,003	(49,574)
Investment Earnings	89,918	109,455	(19,537)
Receipts from Sale of Capital Assets	4,175	3,362	813
Miscellaneous	48,538	67,797	(19,259)
Total General Receipts	<u>8,731,508</u>	<u>8,921,210</u>	<u>(189,702)</u>
Special Items	<u>99,067</u>	<u>0</u>	<u>99,067</u>
Total Receipts	<u>11,248,279</u>	<u>11,403,649</u>	<u>(155,370)</u>
Program Disbursements			
Instruction:			
Regular	4,364,423	4,574,543	(210,120)
Special	1,025,560	1,005,393	20,167
Vocational	287,202	290,779	(3,577)
Support Services:			
Pupils	293,246	264,547	28,699
Instructional Staff	601,341	650,942	(49,601)
Board of Education	48,953	25,752	23,201
Administration	924,608	1,000,086	(75,478)
Fiscal	366,753	357,281	9,472
Operation and Maintenance of Plant	1,053,375	1,026,935	26,440
Pupil Transportation	885,061	811,147	73,914
Central	69,796	70,501	(705)
Operation of Non-Instructional Services:			
Food Service Operations	447,342	488,487	(41,145)
Other	82,637	109,307	(26,670)
Extracurricular Activities	258,553	266,813	(8,260)
Capital Outlay	43,202	65,071	(21,869)
Total Disbursements	<u>10,752,052</u>	<u>11,007,584</u>	<u>(255,532)</u>
Increase in Net Assets	496,227	396,065	100,162
Net Assets Beginning of Year	<u>2,180,644</u>	<u>1,784,579</u>	<u>396,065</u>
Net Assets End of Year	<u>\$2,676,871</u>	<u>\$2,180,644</u>	<u>\$496,227</u>

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

In November of 2006, the electors of Fort Frye Local School District approved a 7.32 mill operating levy. This levy is for a continuing period of time and produces approximately \$880,000 per year to be used for the day-to-day operations of the school district.

Even though the School District was successful in the approval of an operating levy, the increased cost of employee health insurance, utilities, and transportation costs will cause deficit spending by fiscal year 2010 and thereafter as confirmed in our five-year forecast.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up over one third of the receipts for governmental activities for the Fort Frye Local School District in fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2008 compared to fiscal year 2007. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
Program Disbursements				
Instruction:				
Regular	\$4,364,423	\$3,527,210	\$4,574,543	\$3,752,409
Special	1,025,560	388,124	1,005,393	411,888
Vocational	287,202	262,597	290,779	267,889
Support Services:				
Pupils	293,246	278,475	264,547	235,514
Instructional Staff	601,341	447,859	650,942	412,344
Board of Education	48,953	48,953	25,752	25,752
Administration	824,608	922,084	1,000,086	996,426
Fiscal	366,753	365,674	357,281	355,723
Operation and Maintenance of Plant	1,053,375	1,047,707	1,026,935	1,018,699
Pupil Transportation	885,061	841,179	811,147	755,918
Central	69,796	47,472	70,501	32,092
Operation of Non-Instructional Services				
Food Service	447,342	(19,551)	488,487	47,103
Other	82,637	18,185	109,307	4,623
Extracurricular Activities	258,553	115,178	266,813	143,694
Capital Outlay	43,202	43,202	65,071	65,071
Total	\$10,652,052	\$8,334,348	\$11,007,584	\$8,525,145

The dependence upon tax receipts and state subsidies for governmental activities is apparent. For fiscal year 2008, approximately 65% of instruction activities were supported through taxes and other general receipts.

As the table shows, the School District did not receive enough in charges for services and/or operating grants and contributions to support any programs in fiscal year 2008, except Non-Instructional Food Services. That is, programs are not currently self-supporting. For several years, General Fund expenditures have exceeded receipts, thereby lowering the unreserved fund balance each year. The increased expenditures are due to higher than expected employee health insurance costs and increases in diesel fuel costs and utilities.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$11,145,037 and disbursements of \$11,478,711. The General Fund had a decrease in fund balance of \$89,655 due to a combination of factors, primarily increased health insurance premiums, utility rate, and diesel fuel costs. The Permanent Improvement Fund had an increase in fund balance of \$148,863 due to the School District receiving an additional payment from a tax abatement agreement with Duke Energy.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2008, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$9,610,507, above final estimates of \$9,609,471. Original estimates of \$8,961,733 were increased \$647,738 due to additional tax receipts as the result of the successful approval of a 7.32 mill operating levy. Original appropriations were increased \$325,749 to adjust estimates to more closely reflect actual expenditures.

The School District's ending unobligated General Fund balance was \$358,246.

Current Issues

Even after the approval of a 7.32 mill operating levy in 2006, the School District still faces a dwindling ending cash balance. Due to changes in the law which reduces the business tax base and the overall economic climate, the School District will remain in this position for the foreseeable future until the School District can reduce expenditures, especially employee health insurance costs.

Based on the current financial situation, and the uncertainty of funding, the School District will be challenged to maintain the current program and staffing levels. The Fort Frye Board of Education will formulate a plan to reduce expenditures. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to balance the budget annually. We continue to conduct business in a fiscally conservative manner in order to ensure the taxpayers that we are prudent with their tax dollars while also providing the best educational programs for our students. We continually monitor those legislative actions which affect public education and respond rapidly to adjust our way of doing business to accommodate those changes.

Fort Frye Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Larry D. James, Treasurer at Fort Frye Local School District, PO Box 1149, Beverly, Ohio 45715, or E-Mail at ff_ljames@SEOVEC.ORG.

Fort Frye Local School District, Ohio

Statement of Net Assets - Cash Basis

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,676,871</u>
Net Assets	
Restricted for:	
Capital Projects	\$1,647,469
Bus Purchase	13,771
Other Purposes	129,138
Unrestricted	<u>886,493</u>
<i>Total Net Assets</i>	<u>\$2,676,871</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008*

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,364,423	\$766,586	\$70,627	\$0	(\$3,527,210)
Special	1,025,560	867	636,569	0	(388,124)
Vocational	287,202	0	24,605	0	(262,597)
Support Services:					
Pupils	293,246	4,871	9,900	0	(278,475)
Instructional Staff	601,341	0	153,482	0	(447,859)
Board of Education	48,953	0	0	0	(48,953)
Administration	924,608	0	2,524	0	(922,084)
Fiscal	366,753	0	1,079	0	(365,674)
Operation and Maintenance of Plant	1,053,375	5,668	0	0	(1,047,707)
Pupil Transportation	885,061	4,128	28,185	11,569	(841,179)
Central	69,796	0	22,324	0	(47,472)
Operation of Non-Instructional Services:					
Food Service Operations	447,342	213,688	253,205	0	19,551
Other	82,637	0	64,452	0	(18,185)
Extracurricular Activities	258,553	143,214	161	0	(115,178)
Capital Outlay	43,202	0	0	0	(43,202)
Totals	\$10,752,052	\$1,139,022	\$1,267,113	\$11,569	(8,334,348)
General Receipts					
Property Taxes Levied for General Purposes					3,885,789
Grants and Entitlements not Restricted to Specific Programs					4,471,429
Payments in Lieu of Taxes					231,659
Investment Earnings					89,918
Receipts from Sale of Capital Assets					4,175
Miscellaneous					48,538
<i>Total General Receipts</i>					<u>8,731,508</u>
Special Items: Sale of Building and Insurance Proceeds					<u>99,067</u>
<i>Total General Receipts and Special Items</i>					<u>8,830,575</u>
<i>Change in Net Assets</i>					496,227
<i>Net Assets Beginning of Year</i>					<u>2,180,644</u>
<i>Net Assets End of Year</i>					<u><u>\$2,676,871</u></u>

See accompanying notes to the financial statements

Fort Frye Local School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$355,327	\$1,647,469	\$147,636	\$2,150,432
Restricted Cash and Cash Equivalents	13,771	0	0	13,771
<i>Total Assets</i>	<u>\$369,098</u>	<u>\$1,647,469</u>	<u>\$147,636</u>	<u>\$2,164,203</u>
Fund Balances				
Reserved for Encumbrances	\$10,852	\$0	\$56,556	\$67,408
Reserved for Bus Purchases	13,771	0	0	13,771
Unreserved, Undesignated, Reported in:				
General Fund	344,475	0	0	344,475
Special Revenue Funds	0	0	91,080	91,080
Capital Projects Funds	0	1,647,469	0	1,647,469
<i>Total Fund Balances</i>	<u>\$369,098</u>	<u>\$1,647,469</u>	<u>\$147,636</u>	<u>\$2,164,203</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$3,885,789	\$0	\$0	\$3,885,789
Payments in Lieu of Taxes	0	231,659	0	231,659
Intergovernmental	4,863,418	0	886,354	5,749,772
Investment Earnings	89,918	0	339	90,257
Charges for Services	0	0	213,688	213,688
Tuition and Fees	743,974	0	14,866	758,840
Extracurricular Activities	25,250	0	135,576	160,826
Rent	5,668	0	0	5,668
Miscellaneous	16,575	0	31,963	48,538
<i>Total Receipts</i>	<u>9,630,592</u>	<u>231,659</u>	<u>1,282,786</u>	<u>11,145,037</u>
Disbursements				
Current:				
Instruction:				
Regular	4,484,376	23,015	124,170	4,631,561
Special	738,768	0	343,746	1,082,514
Vocational	307,981	0	178	308,159
Support Services:				
Pupils	279,740	0	32,543	312,283
Instructional Staff	477,156	0	178,244	655,400
Board of Education	48,953	0	0	48,953
Administration	991,106	0	2,808	993,914
Fiscal	383,322	0	1,200	384,522
Operation and Maintenance of Plant	1,130,251	0	0	1,130,251
Pupil Transportation	862,504	106,094	0	968,598
Central	40,124	0	32,235	72,359
Operation of Non-Instructional Services	0	0	588,442	588,442
Extracurricular Activities	140,269	0	118,284	258,553
Capital Outlay	17,515	25,687	0	43,202
<i>Total Disbursements</i>	<u>9,902,065</u>	<u>154,796</u>	<u>1,421,850</u>	<u>11,478,711</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(271,473)</u>	<u>76,863</u>	<u>(139,064)</u>	<u>(333,674)</u>
Other Financing Sources (Uses)				
Advances In	215,529	0	50,098	265,627
Advances Out	(50,098)	0	(1,538)	(51,636)
Sale of Capital Assets	4,175	0	0	4,175
Transfers In	11,987	0	26,842	38,829
Transfers Out	(26,842)	0	(11,987)	(38,829)
<i>Total Other Financing Sources (Uses)</i>	<u>154,751</u>	<u>0</u>	<u>63,415</u>	<u>218,166</u>
Special Items: Sale of Building and Insurance Proceeds	27,067	72,000	0	99,067
<i>Net Change in Fund Balance</i>	<u>(89,655)</u>	<u>148,863</u>	<u>(75,649)</u>	<u>(16,441)</u>
<i>Fund Balances Beginning of Year</i>	<u>458,753</u>	<u>1,498,606</u>	<u>223,285</u>	<u>2,180,644</u>
<i>Fund Balances End of Year</i>	<u>\$369,098</u>	<u>\$1,647,469</u>	<u>\$147,636</u>	<u>\$2,164,203</u>

See accompanying notes to the financial statements

Amounts reported for governmental activities in the statement of activities are different because:

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

512,668

Change in Net Assets of Governmental Activities

\$496,227

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$3,308,000	\$3,885,789	\$3,885,789	\$0
Intergovernmental	4,854,000	4,863,418	4,863,418	0
Investment Earnings	75,500	88,888	89,918	1,030
Tuition and Fees	673,933	739,840	739,846	6
Extracurricular Activities	35,000	25,250	25,250	0
Rent	6,800	5,668	5,668	0
Miscellaneous	8,500	618	618	0
<i>Total Receipts</i>	8,961,733	9,609,471	9,610,507	1,036
Disbursements				
Current:				
Instruction:				
Regular	4,136,868	4,489,529	4,489,529	0
Special	748,973	738,768	738,768	0
Vocational	275,363	307,981	307,981	0
Support Services:				
Pupils	288,389	279,990	279,990	0
Instructional Staff	420,507	481,284	481,284	0
Board of Education	58,542	49,205	49,205	0
Administration	1,044,825	991,106	991,106	0
Fiscal	378,042	383,822	383,322	500
Operation and Maintenance of Plant	1,123,709	1,130,311	1,130,311	0
Pupil Transportation	875,162	863,513	863,513	0
Central	54,261	40,124	40,124	0
Extracurricular Activities	144,540	140,269	140,269	0
Capital Outlay	38,487	17,515	17,515	0
<i>Total Disbursements</i>	9,587,668	9,913,417	9,912,917	500
<i>Excess of Receipts Under Disbursements</i>	(625,935)	(303,946)	(302,410)	1,536
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,100	4,175	4,175	0
Refund of Prior Year Expenditures	8,000	47,152	47,152	0
Advances In	205,000	215,529	215,529	0
Advances Out	0	(50,098)	(50,098)	0
Transfers In	0	11,987	11,987	0
Transfers Out	0	(26,842)	(26,842)	0
<i>Total Other Financing Sources (Uses)</i>	218,100	201,903	201,903	0
<i>Net Change in Fund Balance</i>	(407,835)	(102,043)	(100,507)	1,536
<i>Fund Balance Beginning of Year</i>	414,552	414,552	414,552	0
Prior Year Encumbrances Appropriated	44,201	44,201	44,201	0
<i>Fund Balance End of Year</i>	\$50,918	\$356,710	\$358,246	\$1,536

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Medical Insurance
Operating Receipts	
Charges for Services	\$2,280,576
Operating Disbursements	
Purchased Services	308,228
Claims	1,245,689
<i>Total Operating Disbursements</i>	1,553,917
<i>Operating Income</i>	726,659
Non-Operating Disbursements	
Advances Out	(213,991)
<i>Change in Net Assets</i>	512,668
<i>Net Assets Beginning of Year</i>	0
<i>Net Assets End of Year</i>	\$512,668

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
June 30, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$29,015</u>
Net Assets	
Restricted for Students	<u>\$29,015</u>

See accompanying notes to the basic financial statements

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

Fort Frye Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 5 instructional/support facilities staffed by 81 classified employees and 84 certified personnel, who provide services to 1,144 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Fort Frye Local School District, this includes general operations, food service, and student-related activities. The following activities are also included within the reporting entity.

Parochial School - Within the School District boundaries, St. John Central Elementary School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Chief Fiscal Officer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Educational Regional Service System (ERSS) Region 16, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any. The School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Permanent Improvement Fund This fund accounts for the acquisition, construction, or improvement of capital facilities of governmental activities.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination the changes in net assets and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for health claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which account for student activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$89,918, including \$64,591 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$1,790,378 of restricted net assets, none of which is restricted by enabling legislation.

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and school bus purchases.

O. Interfund Transactions

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

P. Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District's special items consist of the sale of Center Elementary School and insurance proceeds.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Net Change in Fund Balance	
Cash Basis	(\$89,655)
Encumbrances	<u>(10,852)</u>
Budget Basis	<u><u>(\$100,507)</u></u>

Note 4 - Changes in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and SERS post-employment healthcare plans in the amount of \$7,122 and \$22,692, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bank acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,577,437 of the School District's bank balance of \$2,780,290 was exposed to custodial credit risk because it was uninsured and collateralized in a collateral pool. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington, Morgan, and Noble Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$80,726,250	64%	\$85,154,320	66%
Public Utility Personal	42,420,730	34%	42,218,900	33%
Tangible Personal Property	2,580,845	2%	2,079,938	1%
	\$125,727,825	100%	\$129,453,158	100%

Tax Rate per \$1,000 of Assessed Valuation	\$42.82	\$42.82
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Note 7 - Interfund Balances

Unpaid interfund cash advances at June 30, 2008, were as follows:

	Receivables	Payables
General Fund	\$84,480	\$0
Special Revenue Funds:		
Uniform School Supply Fund	0	2,922
Food Service Fund	0	63,551
Other Local Funds	0	1,000
Federal Grant Funds	0	17,007
Total Special Revenue Funds	0	84,480
Total All Funds	\$84,480	\$84,480

Note 8 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Barengo Insurance Agency through Indiana Insurance for general liability, vehicle, and property insurance.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Coverage provided is as follows:

Building and Contents-replacement cost	\$27,803,900
Boiler and Machinery	27,803,900
Inland Marine (\$500 deductible each):	
Musical Instruments	50,000
Band Uniforms and Similar Equipment	50,000
Athletic Equipment and Uniforms	50,000
Camera, Projection Machines, Films and Similar Equipment	50,000
Signs	10,000
Fine Arts	50,000
Audio Visual Equipment	50,000
Blanket Computer Limit	800,000
Crime (\$1,000 deductible) -	
Employee Dishonesty	100,000
Forgery or Alteration	100,000
Money and Securities –	
Inside Premises – Per Occurrence	15,000
Outside Premises – Per Messenger	15,000
Automobile Liability:	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
Uninsured Motorist	1,000,000
Underinsured Motorist	1,000,000
Deductibles:	
Comprehensive	1,000
Collision	1,000
General Liability (no deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Medical Expense Limit – per person/accident	15,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2008.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

Health insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$179,557, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$119,364	\$1,879,282	\$1,500,876	\$497,770
2008	497,770	927,476	1,245,689	179,557

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Fort Dearborn Life Insurance Company in the amount of \$25,000 for its employees.

Dental coverage is provided through Coresource. Premiums for this coverage are \$62.47 monthly for family and \$23.13 for single coverage.

Note 9 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$508,591, \$520,906, and \$523,043 respectively; 82.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$43 made by the School District and \$2,017 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006, were \$99,020, \$135,080, and \$134,680 respectively; 43.87 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, no members of the Board of Education elected Social Security.

Note 10 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$39,122, \$40,070, and \$40,234 respectively; 82.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$72,837, \$61,073, and \$63,360 respectively; 38.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$7,412, \$10,111, and \$10,081 respectively; 45.97 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 11 - Long-Term Debt

Currently, the School District has no outstanding debt.

The overall debt margin of the School District as of June 30, 2008, was \$11,413,187, with an unvoted debt margin of \$126,813.

Note 12 - Set-Aside Calculations

State statute annually requires the School District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior fiscal years, the School District was also required to set aside money for budget stabilization

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2007	\$0	(\$374,277)
Current Year Set-aside Requirement	176,010	176,010
Offsets	(231,659)	0
Qualifying Disbursements	(124,659)	(146,742)
Total	(\$180,308)	(\$345,009)
Set-aside Balance Carry Forward to Future Fiscal Years	\$0	(\$345,009)

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

Note 13 - Interfund Transfers

During the fiscal year, the General Fund transferred \$15,295 and \$11,547 to the Educational Management Information System and Uniform School Supplies Special Revenue Funds, respectively, to reduce deficit cash balances. The E-Rate Special Revenue Fund transferred \$11,987 to the General Fund in order to close the Fund.

Note 14 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2008, will not have a material adverse effect on the School District.

B. Litigation

The School District is currently not a party to any legal proceedings.

Note 15 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 29 participants consisting of 26 school districts and 3 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the School District paid \$43,652 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Janine Satterfield, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

D. Educational Regional Service System Region 16

The School District participates in the Educational Regional Service System (ERSS) Region 16, a jointly governed organization consisting of educational entities within Athens, Gallia, Hocking, Jackson, Meigs, Monroe, Morgan, Perry, Vinton, and Washington Counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Athens-Meigs Educational Service Center, 507 Richland Avenue, Athens, Ohio 45701.

Note 16 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

Fort Frye Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 – Noncompliance

Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(B) provides that the District shall prepare its annual financial statement in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District can be fined and various other administrative remedies for its failure to file the required financial report

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Frye Local School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2008, wherein we noted the District has not prepared financial statements in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Frye Local School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Frye Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2008-01. We also noted certain immaterial instances of noncompliance, which we have reported to management of Fort Frye Local School District in a separate letter dated December 4, 2008.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 4, 2008

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education
Fort Frye Local School District
Beverly, Ohio 45715

Compliance

We have audited the compliance of Fort Frye Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Fort Frye Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fort Frye Local School District management. Our responsibility is to express an opinion on Fort Frye Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Frye Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fort Frye Local School District's compliance with those requirements.

In our opinion, the Fort Frye Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Fort Frye Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fort Frye Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Education, management, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 4, 2008

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.553, #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
FINDING NUMBER 2008-01**

Noncompliance Citation

Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(B) provides that the District shall prepare its annual financial statement in accordance with accounting principles generally accepted in the United States of America.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

(Continued)

2. **Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**
FINDING 2008-01 (Continued)

Noncompliance Citation (Continued)

However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District can be fined and various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

Client Response: The District does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.

3. **Findings and Questioned Costs for Federal Awards**

NONE

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE:						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 52,064	\$ -	\$ 52,064	\$ -
National School Lunch Program	n/a	10.555	191,724	-	191,724	-
Total Nutrition Cluster			243,788	-	243,788	-
Food Distribution Program	n/a	10.550	-	68,320	-	68,320
Total U.S. Department of Agriculture			243,788	68,320	243,788	68,320
U.S. DEPARTMENT OF EDUCATION:						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	050484C1S107	84.010	(14,713)	-	19,877	-
	050484C1S108		197,300	-	189,202	-
			182,587	-	209,079	-
Special Education Cluster:						
Title VI-B Special Education Assistance for handicapped Children	050484BSF07	84.027	(33,376)	-	28,708	-
	050484BSF08		265,775	-	226,878	-
			232,399	-	255,586	-
Drug Free School Program	050484DRS107	84.186	352	-	1,984	-
	050484DRS108		3,083	-	2,512	-
			3,435	-	4,496	-
Innovative Education Program Strategies	050484C2S107	84.298	(21)	-	156	-
	050484C2S108		1,324	-	1,113	-
			1,303	-	1,269	-
Technology Literacy Challenge	050484TJS107	84.318	854	-	767	-
	050484TJS108		951	-	715	-
			1,805	-	1,482	-
Improving Teacher Quality State Grant	050484TRS107	84.367	5,750	-	16,132	-
	050484TRS108		87,531	-	79,337	-
			93,281	-	95,469	-
Title II D EETT Grant	050484ETT07	84.336	-	-	6,112	-
	050484ETT08		22,639	-	24,776	-
			22,639	-	30,888	-
Total U.S. Department of Education			537,449	-	598,269	-
Total Federal Awards Expenditures			781,237	68,320	842,057	68,320

See notes to Schedule of Federal Awards Expenditures.

FORT FRYE LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**FORT FRYE LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	ORC 117.38 and OAC 117-02-03(B) Filed on basis prescribed by AOS, not GAAP	No	Not Corrected: Reported again as finding 2008-01



Mary Taylor, CPA
Auditor of State

FORT FRYE LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2009**